

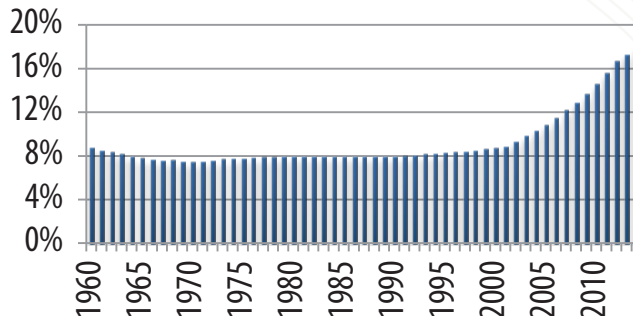
Fundamental changes and surging costs for Veteran disability compensation *

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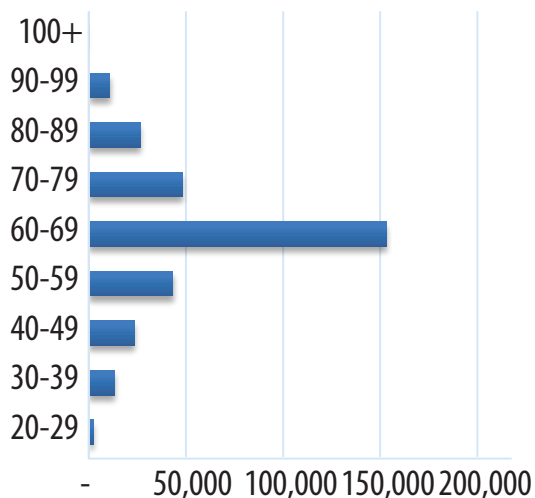
The percent of veterans receiving disability compensation was remarkably consistent between 1960 and 1999, hovering around 8% for 40 years.

However, the period 2000 to 2014 shows a fundamental change in participation. **The percentage of veterans receiving disability compensation more than doubled in the last 15 years.** The number of disability compensation recipients increased substantially even while the total number of veterans declined.

Percent of Veterans Receiving Disability Compensation



Number of IU Recipients by Age

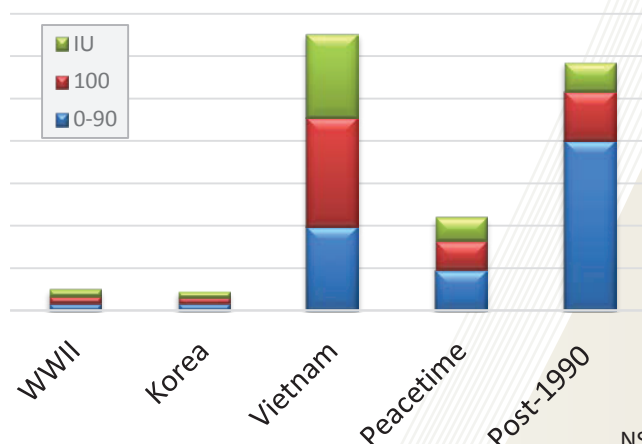


The costs of the VA disability compensation program follow a similar trend. Little growth occurred in the cost of the program, in real terms, over the forty year period 1960–1999. **A sharp and persistent increase in costs, however, is observed in the most recent 15 year period, with payments now exceeding \$50 billion a year.** Higher combined ratings and an increase in the number of recipients caused almost all of this cost growth.

Maximum awards, payments to veterans either rated at 100 percent disabled or receiving Individual Unemployability (IU), account for the majority of the cost of the disability compensation program. Veterans age 65 and over currently account for over half of the 320,000 IU recipients. And many veterans are continuing to receive IU benefits into their 70s, 80s, and even 90s. We estimated that the incremental cost of IU is nearly \$5.4 billion dollars per year.

The payment data broken out by period of service hints at potential additional growth in the cost of the program in the future. The Vietnam Era veterans received compensation of \$21.5 billion in 2014, with over 60 percent of that going to veterans rated 100 percent or IU. All other cohorts show a similar distribution, with one exception: recipients separating since 1990. The total disability compensation for this group of recently separated veterans is not driven by maximum awards – at least, not yet. In 2014, the fraction of Post-1990 recipients receiving maximum awards was 10 percent, up from only 4 percent in 2000. If this increase and the growth patterns of veterans in earlier cohorts are indicative, **more and more post-1990 veterans will begin receiving maximum awards, driving the overall cost of the disability compensation program even higher.**

Distribution of Cost by Disability Level & Period of Service



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*Based on: [IDA NS D-5781](#) "Trends in VBA Disability Compensation Spending," June 2016.